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RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO 2749
RUEHBJ/AMEMBASSY BEIJING 5642
RUEHBY/AMEMBASSY CANBERRA 3314
RUEHUL/AMEMBASSY SEOUL 5147
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UNCLAS SECTION 01 OF 04 JAKARTA 002146

MCC FOR AMBASSADOR DANILOVICH AND MORFORD
MCC FOR MARIA LONGI
MCC FOR DEPUTY CEO RODNEY BENT
DEPT FOR E - U/S JEFFERY
DEPT FOR EEB A/S SULLIVAN
DEPT FOR EAP DAS MARCIEL AND EB/IFD DAS DAVID NELSON
DEPT FOR EAP/MTS, EEB/IFD/OIA, INL SNYDER, INL ROESS
USAID FOR ADMINISTRATOR FORE
USAID FOR DEPUTY ADMINISTRATOR KUNDER AND ANE WARD
USAID/ODP FOR KAREN TURNER AND PETER DELP
USAID/ANE FOR STEPHAN SOLAT
TREASURY FOR A/S LOWERY
TREASURY/IA FOR RACHEL BAYLY
DEPT PASS USTR FOR SCHWAB
DEPT PASS USTR FOR ELENA BRYAN
DEPT PASS USTR FOR FRAN HEUGEL
DEPT PASS USTR FOR AUSTR BARBARA WEISEL
OMB FOR JACQUELINE STRASSER
DOJ FOR CRIM AAG SWARTZ
DOJ/OPDAT FOR ALEXANDRE/LEHMANN/JOHNSON

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SUBJECT: Institutionalizing anti-corruption reform in Indonesia

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¶1. (SBU) Summary: Indonesia is taking concrete steps to institutionalize its fight against corruption, laying the groundwork for continued anti-corruption efforts regardless of who wins next year's Parliamentary and Presidential elections. The Corruption Eradication Commission, Attorney General's Office, Supreme Court, and Indonesian National Police have all instituted tangible anti-corruption reform agendas. These institutions are establishing the architecture of better governance in Indonesia. High-level corruption prosecutions seize headlines, but quiet institutional reforms are increasing accountability and transparency in governance. Improvements in combating corruption over the past year form a broader reform trend in the past four years. End Summary.

Corruption Eradication Commission gains more influence

¶2. (SBU) The Corruption Eradication Commission (KPK), an independent government institution, is leading the campaign to combat corruption in Indonesia. The KPK has expanded authority to conduct corruption investigations and try cases in the specialized Anti-Corruption Court. The KPK's seamless leadership transition last January highlighted the growing maturity of the institution. With its five new commissioners, the KPK has arrested and prosecuted several high-level corruption suspects in 2008. Parliament has long been considered one of the most corrupt, yet also untouchable, institutions in Indonesia. That immunity ended in 2008. In six separate scandals in 2008, the Corruption Eradication Commission

(KPK) has arrested six Members of Parliament - from both government coalition and opposition parties.

13. (SBU) Making use of its new wiretapping capacity, the KPK also caught a senior AG prosecutor, Urip Tri Gunawan, red-handed with a \$600,000 bribe in March. Within six months of the arrest, the Anti-Corruption Court convicted and sentenced Urip to 20 years in prison, as well as the businessperson who passed the bribe to five years in prison. Another ongoing high-profile case involves Aulia Pohon, a former central bank governor who is the father-in-law of President Yudhoyono's son. Pohon has recently been named a suspect in a central bank corruption case. The President has stated that the KPK should not be subject to political influence and he has honored that commitment.

14. (U) Increased personnel, a focus on capacity building, and strategic partnerships help to explain the rising operational tempo and growing institutional strength at the KPK. The KPK has nearly doubled the number of investigators (111 now) and prosecutors (28 now) since 2005. The KPK's long-term strategy balances prosecution and prevention. The KPK is on track to conduct more investigations in 2008 than any previous year and is maintaining the prosecution case load. Regarding prevention, the KPK is leading wider government reform, including working with the Supreme Court to better account for case fees and promote better governance and case management with the support of the USAID-managed MCC Threshold Program. The KPK has signed a number of cooperative MOUs with international law enforcement and anti-corruption bodies, the most recent one with the U.S. Federal Bureau of Investigation. These agreements help codify and institutionalize the KPK's role in Indonesia. One potential threat to the KPK is the pending Anti-Corruption Court bill. If Parliament does not pass this bill by December 2009, the KPK will be forced to prosecute its cases in the normal court system, not the specialized Anti-Corruption Court.

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AGO establishes new anti-corruption task force

15. (SBU) While the KPK is the headline independent government body tasked to lead corruption, the Attorney General's Office is the larger, more permanent institutional presence. The Attorney General's Office and police handle over 95% of all corruption cases nationwide whereas the KPK handles fewer than 5%. After being rocked by an internal corruption scandal in March 2008, the Attorney General's Office has made changes to strengthen its anti-corruption efforts. The Attorney General appointed the widely respected senior prosecutor Marwan Effendy to spearhead his anti-corruption efforts. Effendy moved quickly to establish a 50-prosecutor anti-corruption task force to investigate and prosecute high-level corruption cases.

The Task Force has already embarked on two dozen investigations and prosecutions, including this month's arrest of the former Governor of West Nusa Tenggara, the arrest of a Director General at the Ministry of Law and Human Rights, and an investigation into corruption at various Indonesian embassies.

16. (SBU) The Attorney General is also spreading this task force concept nationwide. The AGO Anti-Corruption Task Force is establishing mini task forces in each of the 31 Indonesian High Prosecution offices, committing over 1,000 prosecutors to the fight against corruption. These local anti-corruption task forces will be formally announced on November 24, and will ultimately report to the head of the national Anti-Corruption Task Force. Effendy has also told us that he is working to shorten the approval process to bring corruption cases to court, which prosecutors see as a bureaucratic obstacle and political opportunity to hinder corruption prosecutions.

17. (SBU) The Attorney General's Office launched a more wide-ranging bureaucratic reform process in September 2008. Its plan includes a comprehensive staffing assessment, followed by the development of job evaluations, job descriptions, and new remuneration structures. The AGO will present its findings to the Ministry for State Reform and then the Ministry of Finance for approval in early 2009.

Judiciary improves transparency and accountability

18. (SBU) The Supreme Court has made progress on three overarching judicial sector reforms: enhancing court transparency; training judges on a new Code of Conduct; and initiating bureaucratic reform.

In August 2007, the Supreme Court issued a Transparency Decree that mandated that all Court decisions be posted online. The Court has posted nearly 7,000 cases to date and is adding more cases daily. Previously, Court decisions were not publicly available. The Transparency Decree is a fundamental shift to improve accountability of the Indonesian judicial system, according to legal reform experts.

The Transparency Decree also requires the publishing of court budget and fee information. To date, approximately 250 courts maintain individual websites, with 200 providing access to budgetary and financial information on their websites.

19. (SBU) The Supreme Court adopted a new Code of Conduct in 2006. To date, the Court has trained over 2,000 judges in this new Code of Conduct, which will now be used for new candidate judge training as

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well. The Court has also begun to release disciplinary information on judges who are found to be in violation of the Code as well as other disciplinary matters. And in June 2008, the Court began requiring senior court personnel to submit wealth reports to be eligible for promotion.

10. (SBU) Judicial reforms are being institutionalized through bureaucratic reform. The court has identified three additional bureaucratic reforms: information technology enhancement; handling of court fees; and human resources management. Information technology initiatives are designed to improve public service delivery and internal human resource capacity. New requirements on court fees will standardize and publish all fees, a basic, yet fundamental aspect of court transparency. Improvements in human resources management, one of the most sensitive areas of reform, has led to over 800 court personnel job descriptions and performance standards being developed in the past year. A state-of-the-art human resources database is also under development. These tools are developing the groundwork for human resources reform, including performance management.

Police promote internal discipline to reduce corruption

11. (SBU) The Indonesian National Police has made internal reform a central focus. In particular, they have dramatically increased implementation of their Code of Conduct. During 2007, the police investigated 19,459 police officers for violations of their Code of Discipline and Code of Ethics, a 323% increase over 2006 discipline cases. The dramatic increase is a result of a stronger nationwide enforcement of internal codes of conduct, enforcement of internal investigative procedures, defined investigative responsibilities of criminal cases and internal code violations, centralizing of data collection, and more accurate reporting. In addition, the police overcame institutional fears of adverse publicity, publicizing discipline statistics for the first time. The police is working to institutionalize this progress by moving the Office of Professional Security into their Inspector General's Office. This proposed move will give ensure greater independence and resources to the Office of Professional Security.

Other institutions joining the fight against corruption

12. (SBU) The Ministry of Finance, led by the highly regarded Sri Mulyani Indrawati, has initiated sweeping reforms within its own ministry and with other government institutions. Within the Ministry of Finance, Minister Indrawati transformed the Directorate of Tax and Customs, firing hundreds of Customs officials and streamlining the operation. Earlier this year, the KPK - in coordination with Minister Indrawati - raided the Tax & Customs office at Indonesia's largest port, exposing many corrupt practices and cash bribes in desks. Outside of the Ministry of Finance,

Minister Indrawati has worked with the Supreme Court to implement reform programs that reward the Court with higher compensation for carrying out reforms.

¶13. (SBU) President Yudhoyono has also created the Office of Government Procurement Policy to tackle the inefficiency and problems within the government procurement system, a major source of corruption. On the military front, President Yudhoyono appointed

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former KPK Commissioner Erry Hardjapamekas to lead the Defense Department's 150-person business divestiture unit. Under Hardjapamekas' leadership, the initiative to divest the military of its businesses is moving forward after three years of inaction, although long-term success will require significant Defense Department budget increases to balance the loss of this major source on off-budget revenue.

Institutionalizing the fight against corruption

¶14. (SBU) Eradicating corruption remains a central pillar of President Yudhoyono's overall governing strategy and political agenda. And the institutionalization of policies, resources, and organizational capacity means that anti-corruption reform will be a legacy of President Yudhoyono, regardless of next year's election results. The KPK is taking a more aggressive stance through its increased personnel, record of success, and strong mandate. The Attorney General's Office is initiating important reforms, particularly the Anti-Corruption Task Force and bureaucratic reforms. The Supreme Court's Transparency Decree is a fundamental step to make the Indonesian legal system more accountable and open. Police reform, particularly efforts to improve internal discipline, targets another institutional source of corruption. More challenges remain, but there is a growing strength and commitment to anti-corruption reform in Indonesia, backed up by increasingly capable institutions.

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